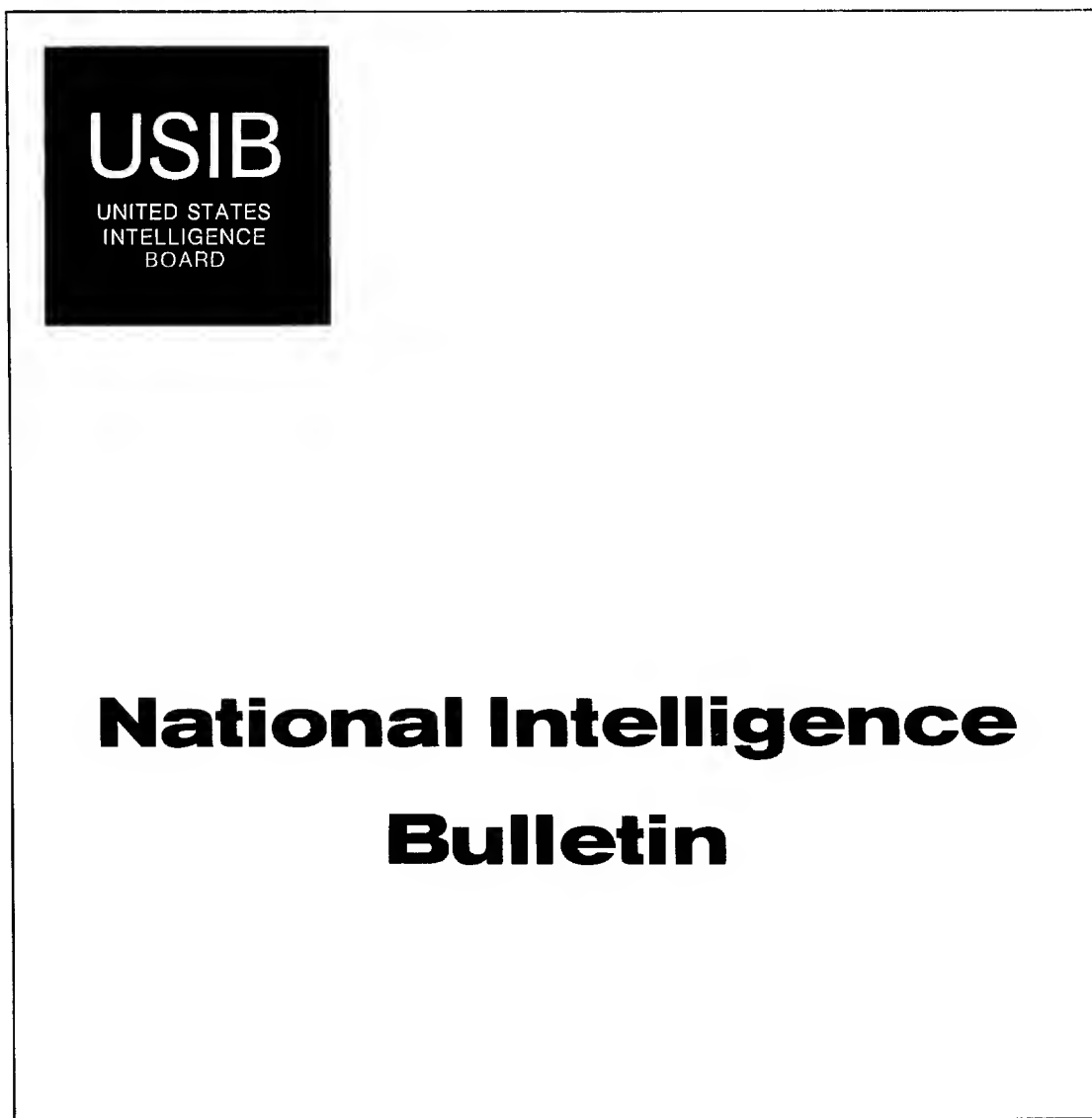


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State Dept. review completed

DIA review(s) completed.

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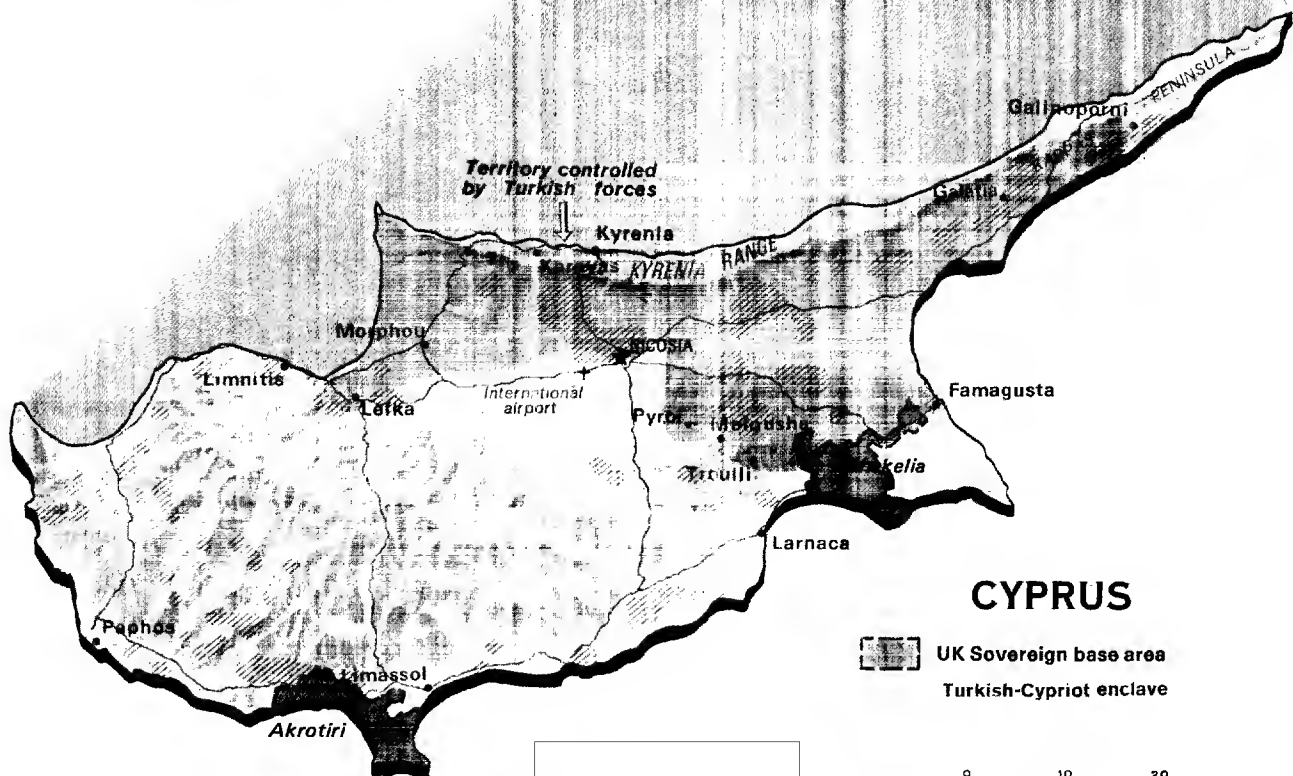
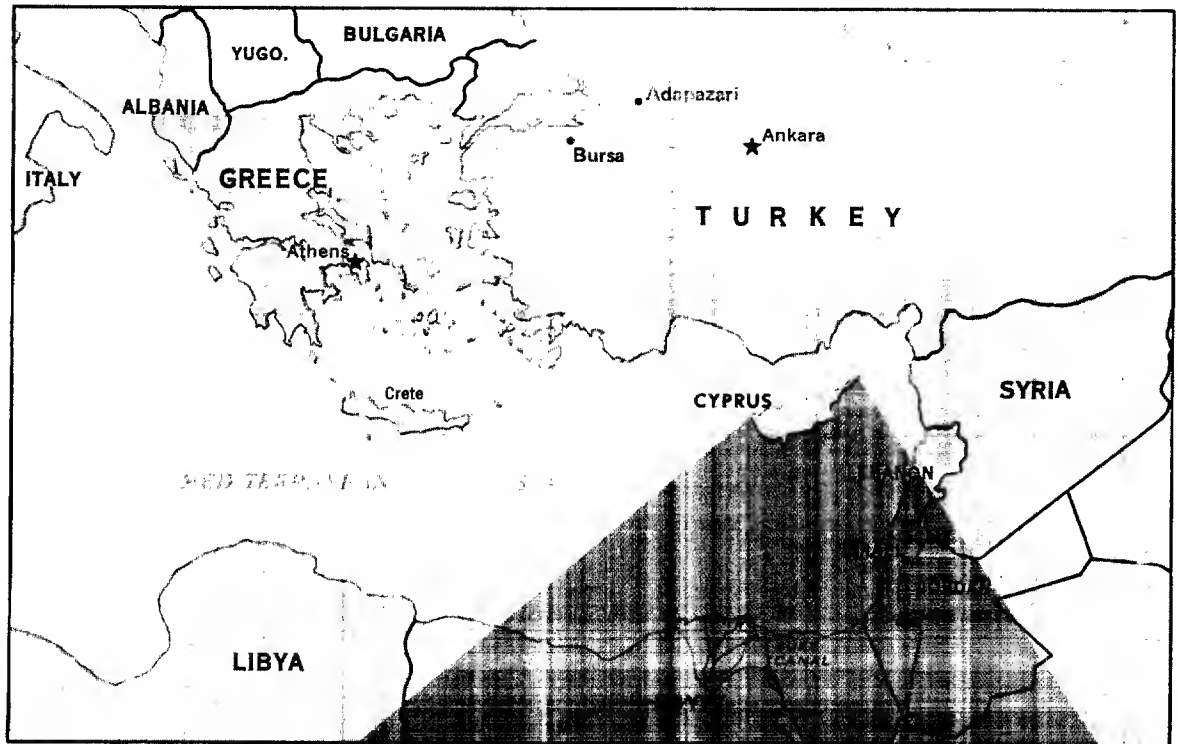
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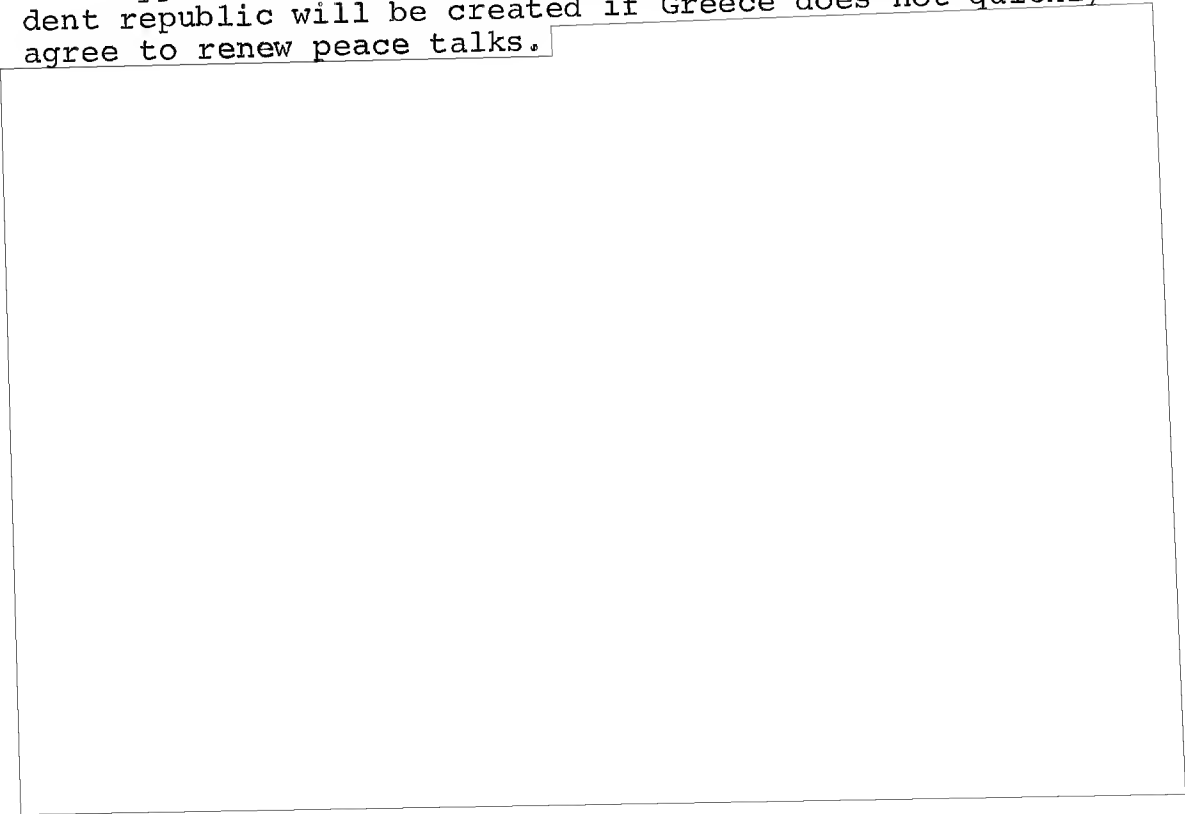
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CYPRUS

Greek and Turkish Cypriot leaders continue to move slowly toward peace talks. Cypriot President Clerides is in Athens today discussing negotiating strategies with Greek Prime Minister Karamanlis. He is scheduled to meet tomorrow afternoon in Nicosia with Turkish Cypriot representative Rauf Denktash.

Clerides told US Ambassador Brown that he opposed a Yugoslav proposal for a five-member UN Security Council guarantee, describing it as a "hollow political effort." Clerides added that he wants to be sure that the US is involved so that some sort of pressure can be maintained on Ankara.

Cypriot leader Denktash has stated that an independent republic will be created if Greece does not quickly agree to renew peace talks.



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Although there have been no significant cease-fire violations, UN forces on the island continue to have trouble with local Turkish commanders. The UN commander in Lefka was ordered by the Turks to confine his troops to camp until arrangements could be made for their evacuation. In Nicosia the Turks have erected a road block to stop UN patrols; the UN continues to patrol the area by going around the road block. In Famagusta the Turks continue to restrict the movement of UN convoys and patrols. UN Secretary General Waldheim said today that he had rejected a Turkish demand for the withdrawal of UN forces from Turkish-held territory. Waldheim called for an increase in the 4,300-man UN force on Cyprus.

Waldheim is expected to visit Cyprus this week to meet Clerides and Denktash about the resumption of negotiations. He also plans to visit Athens and Ankara for similar discussions.

The Soviets late yesterday issued their first "official government statement" on Cyprus since July 28. For the first time, Moscow has called for the convening of an international conference within the UN framework to protect Cyprus from outside interference, to ensure the withdrawal of all foreign troops, and to allow the Cypriots to solve their own problems. The participating states would include Cyprus, Turkey, Greece, all Security Council members, and other invited states, particularly from among the nonaligned countries. These states would provide guarantees of the independence and territorial integrity of Cyprus.

Moscow's proposal probably is partially aimed at placating the Greeks, who have been seeking evidence of Soviet support. At the same time, Moscow continues to avoid any direct, open criticism of the Turks.

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ITALY

The Greek announcement that it plans to withdraw from NATO's military structure has led to a debate in Italy over the implications for Rome's role in the alliance.

Socialist leader Pietro Nenni is arguing that US forces ejected from Greece should not be allowed to relocate in Italy. Another prominent Socialist claims that Italy is now the most threatened target among NATO members in the Mediterranean and that this is ample reason for Rome to press for more effective security guarantees.

Manlio Brosio, former secretary general of NATO, has responded by insisting that this would be the worst possible moment for Rome to reopen negotiations on the use of NATO bases in Italy. He predicts that an attempt to take advantage of present difficulties within the alliance would only work against Italy's security interests.

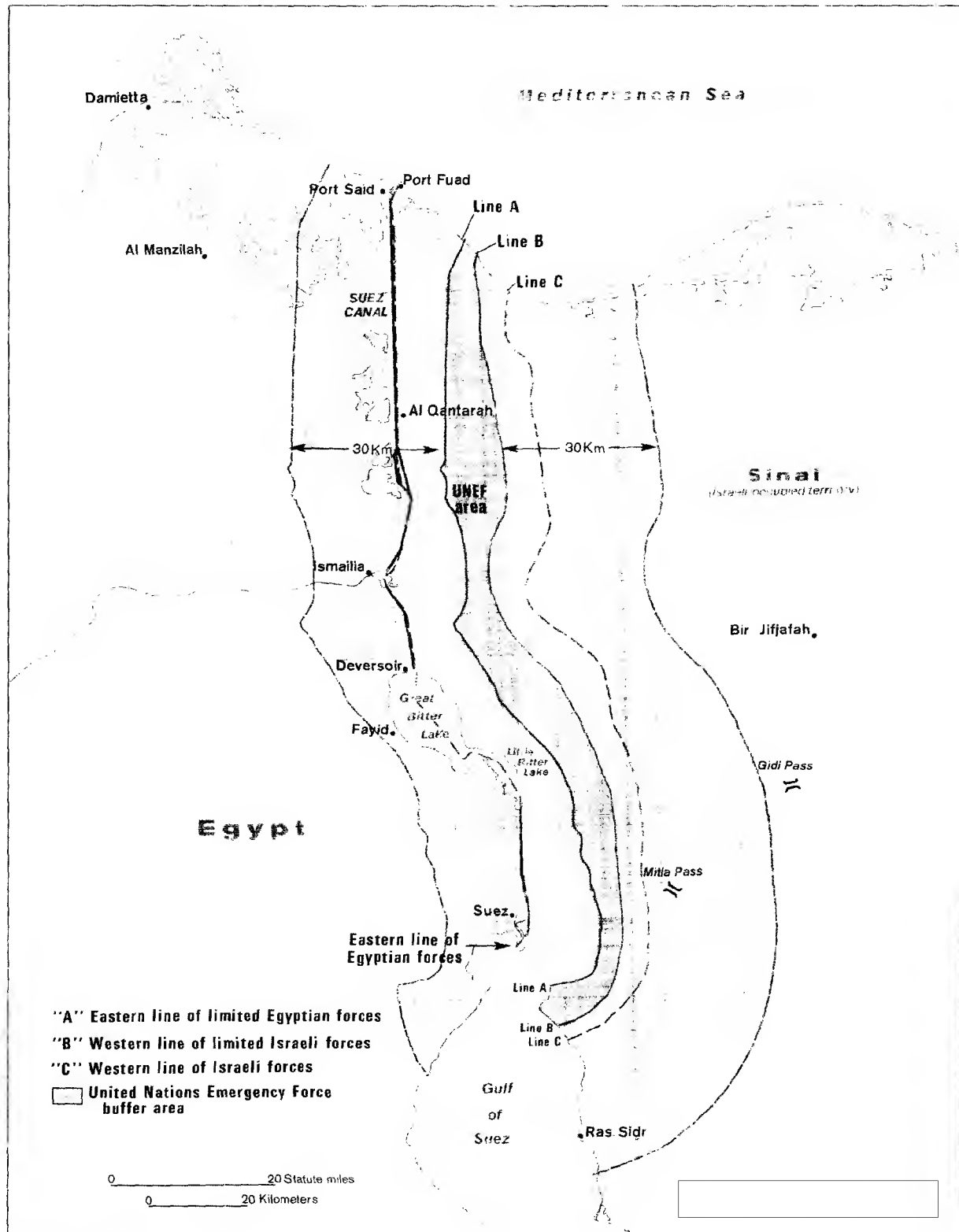
Although the Communists oppose any increase in US forces in Italy, they probably hope that the issue does not reach the point where they have to take a stand. The Communists have lately been playing down their hostility to NATO in an effort to increase the party's acceptability as a member of a potential governing coalition.

The dominant Christian Democrats have not yet responded officially to the Socialists. While sympathetic to the problems facing NATO, the Christian Democrats' leverage has been diminished by recent political setbacks, and they also hope to avoid having to deal with the consequences of a Greek pull out from the alliance.

This is probably one of the factors behind a demarche presented to the Turkish government by Rome yesterday. The Italian demarche stressed the necessity for compromise on the Cyprus issue and emphasized the serious problems that a neutralist Greece would pose for NATO's Mediterranean powers.

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ISRAEL-EGYPT

Exercises by both Egyptian and Israeli forces near the disengagement lines are causing continued uneasiness on both sides.

Egyptian chief of staff Gamasy informed the US attaché in Cairo on Wednesday that the Egyptian army was conducting a four-day exercise to familiarize troops with their new positions along a defensive line west of the Suez Canal. According to the Egyptian commander, no artillery or air defense guns will be moved, because of the limitations of the disengagement agreement. Moreover, the exercise will not be publicized to avoid raising tensions, but UN Emergency Force representatives will be advised to avoid any misinterpretation of what is going on. This is the first instance of Cairo alerting US and UN officials of a major exercise--information that Cairo must assume will be passed to Tel Aviv.

On Tuesday, Egyptian forces fired an SA-7 missile at an Israeli F-4 aircraft flying over the Sinai east of Suez City. The aircraft was not hit. According to the Egyptian chief of staff, the missile was fired from the west bank after the Israeli reconnaissance aircraft had penetrated the UN buffer zone. The Israelis lodged a protest with the UN forces claiming that the plane had not crossed the line of separation and was over Israeli-held territory when fired upon.

The Egyptian-Israeli disengagement agreement prohibits weapons capable of interfering with the other party's flights over its own forces in the limited-arms zones on the east bank. It also prohibits surface-to-air missiles in the Egyptian and Israeli 30-kilometer zones--that is, on the west bank where the Egyptians claim the missile was fired.

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With a maximum range of about two nautical miles, there are few areas along the edge of the Egyptian limited-arms zone where an SA-7 can be launched to intercept a target flying over Israeli-held territory. At this range, the SA-7 would only be effective against large, slow targets such as a heavy helicopter, and would have virtually no capability against modern jets such as the F-4.

Earlier this week, Gamasy made a speech designed to reassure the Arab world, and Egyptians in particular, that Cairo's military forces were stronger than ever and fully alerted to Israeli actions. In a clear but calm warning to Tel Aviv, he said that if political efforts fail, the Egyptian armed forces are prepared to resume fighting. He pointed out that Cairo was both studying what Tel Aviv said, and watching the movements and partial mobilization of Israeli forces.

Meanwhile, Israel has set the stage for its military exercises. According to the US defense attaché in Tel Aviv, the Israelis will conduct a combined arms exercise in the Sinai on the night of August 26. The attaché believes the exercise will involve less than one army division and that it will include tactical air support. The Israelis also conducted a large-scale tactical air exercise earlier this month.

The nationwide mobilization exercise that has been anticipated for several weeks also appears to be imminent. "Thousands" of reservists from all military services reportedly are to be recalled for the 24-hour exercise. The exercise is to train the reservists in the revised public call-up system. According to Israeli military spokesmen, the system was last used operationally in 1967.

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SPANISH SAHARA

Morocco has hardened its position on Spanish Sahara in reaction to Madrid's decision to hold a referendum under UN auspices in the territory next year.

In a speech on August 20--the same day Madrid notified the UN Secretary General of its intentions--King Hassan attached tough conditions to Morocco's agreement to a referendum. He insisted that any vote must occur under international control after the Spanish presence had been withdrawn. He further indicated that if the principle of independence for Sahara were included, Morocco would be obliged, for the first time, to reject a "decision of the UN." In the past, Rabat had implicitly accepted independence as one option, provided the Saharans living in Morocco were allowed to vote.

The King repeated that the best way to settle the Sahara question was through bilateral negotiations with Spain. He cited the UN's handling of the West Irian problem between the Netherlands and Indonesia as the best example to follow. Instead of holding a referendum as was originally proposed, West Irian was returned to Indonesia through bilateral talks facilitated by a UN mediator.

The King's tough line will reduce his ability to make compromises for anything less than Moroccan control of all the territory. Although the King stressed his hopes of acquiring the area through peaceful means, he repeated the threat he made last month to resort to force if necessary. The continuing movement of Moroccan troops to the south is designed to give added meaning to his words.

Algeria and Mauritania, which also have an interest in the Sahara's future, will probably support the Spanish proposal. Unlike Morocco, they will almost certainly insist that the peoples of Spanish Sahara be allowed to choose independence if they so wish. Both countries

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continue to support UN resolutions that explicitly state that indigenous Saharans should be allowed to "exercise their right to self-determination and independence." Both would prefer an independent Sahara, perhaps guaranteed and financially supported by the four concerned parties.

The Saharans might well be encouraged by the Spanish in a future referendum to vote against union with Morocco. An aide to Spanish Prime Minister Navarro claims that most Saharan sheikhs and many others have become increasingly aware of future riches that will accrue to them through exploitation of phosphates and other mineral resources. Saharans allegedly believe absorption by Morocco would leave them the poorest province of a poor country. The aide commented that the sheikhs believe anti-Moroccan sentiment is shared by many Saharans living in Morocco and that their votes in a referendum would not be overwhelmingly pro-Moroccan, as Rabat assumes.

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ITALY-GERMANY

Rome has obtained Bonn's support in securing EC assistance to help finance Italy's large balance-of-payments deficit. On Tuesday Rome succeeded in getting West Germany's support at a meeting of the two countries' finance ministers in Bonn. These discussions are a prelude to a meeting of Prime Minister Rumor and Chancellor Schmidt on August 30-31.

Finance Minister Apel agreed to vote for a three-month extension of Italy's outstanding \$1.9-billion short-term EC credit, which is scheduled to expire on September 18. The credit, arranged this spring, has already been extended once.

Apel and Treasury Minister Colombo discussed a proposed long-term EC loan for EC member countries with balance-of-payments problems. The commission proposal would have the EC borrow on the international market, with the proceeds going to Italy in several installments. Apel supports such a loan and said he felt that favorable action would be taken by other EC members.

The finance ministers also explored the possibility of standby assistance between the two countries' central banks. Discussion apparently was general, however, and no definitive agreement was reached.

Newspapers in both Italy and West Germany reported that Italy would agree to drop its import deposit requirements in exchange for Bonn's assistance. Rome has already agreed to terminate its requirements by March 31, 1975, as part of its standby credit agreement with the International Monetary Fund.

The slight softening in West Germany's attitude follows parliamentary ratification of austerity tax measures in Italy last week. Apel praised the measures, claiming that they are an effective contribution to monetary stability and the development of cooperation between EC members.

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ICELAND

Foreign Minister Einar Agustsson has told the US ambassador in Reykjavik that the formation of a Progressive Party - Independence Party coalition government will be announced this weekend.

The latest negotiations are the third attempt to put together a coalition since the inconclusive elections on June 30. Party leaders are under increasing pressure to form a government before wage and price controls expire at the end of the month.

The large Independence Party, with 25 of the 60 seats in parliament, would normally dominate any coalition. Chairman Hallgrimson, however, may have forfeited the prime ministership in order to persuade Progressive Party chairman Johannesson, to link his party's 17 seats with those of the Independence Party. The result apparently will be a center-right coalition, with Johannesson continuing as Prime Minister and Hallgrimson becoming Foreign Minister.

Agustsson and Hallgrimson are trying to work out a compromise policy on the US-manned NATO base at Keflavik as a pre-condition for the coalition. In order to "save face," Agustsson is insisting that the US respond to the defense force reduction proposals submitted in April by his center-left government. He indicated, however, that a report explaining why these proposals are not feasible would probably be sufficient. If the coalition talks succeed, base negotiations may resume as early as next month.

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ARGENTINA

The nominally Peronist Montonero guerrillas, who have widespread support among university and youth groups, are threatening open warfare against the Peron government. Less than a month ago they disavowed Mrs. Peron's leadership and warned that their patience was wearing thin.

Since Peron's death, the breach between divergent Peronist factions has widened as Mrs. Peron's rightist orientation became more evident. The Montoneros--who maintained peace with the former president despite disagreements over government policy--are now edging closer to espousing the terrorist tactics of the Marxist People's Revolutionary Army. Until recently, the Montoneros had publicly disclaimed association with the violence of Marxist and Trotskyite guerrillas.

Now, however, a Montonero publication edited by a rabid left-wing Peronist youth leader has given tacit endorsement to armed struggle charging that the government is "no longer Peronist." In an article entitled "Has the Hour of the Guerrilla Arrived?," the Montoneros allude to Mrs. Peron's "unpopularity" and charge that clashes last week in northern Argentina between the outlawed People's Revolutionary Army and the "forces of repression" point up the erosion within her administration.

The government has been at pains in recent weeks to deny speculation it was about to outlaw the Montoneros. The government would have no recourse but to clamp down on them if they resort to violence, as seems likely.

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JAPAN

The central bank is increasing its intervention in the foreign exchange market to slow the yen's decline. In the first three trading sessions this week, the central bank sold \$150 million, but downward pressure on the yen is still fairly strong. Within the past month, the yen has depreciated almost 5 percent and about 9 percent since April.

The weakening of the yen largely reflects the continuing balance-of-payments deficit and government efforts to hold down short-term borrowing abroad by Japanese commercial banks. The Ministry of Finance began restricting overseas borrowing in June because commercial banks were overextending themselves in the Eurodollar market. The ministry has taken several steps to help fill the dollar gap, including the deposit of some \$750 million in commercial banks during the past month. In addition, Tokyo has permitted increased long-term borrowing abroad by Japanese firms and is seeking direct loans from oil producers in the Middle East.

Pressure on the yen should ease as the balance-of-payments deficit narrows. The payments deficit was only \$200 million last month, compared with an average monthly deficit of \$1.2 billion between January and June. Japan registered a \$320-million surplus in trade last month, compared with an average monthly deficit of \$460 million during the first half. The trade account during the second half of the year probably will show a substantial surplus.

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LAOS

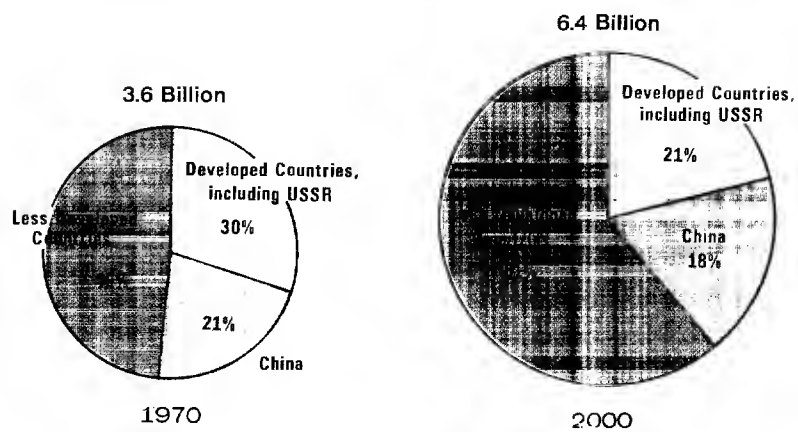
Prime Minister Souvanna Phouma is scheduled to leave Laos on Sunday for several months convalescence in France. Souvanna has been making slow but steady progress from the massive heart attack he suffered six weeks ago, but his condition is still considered very serious.

The coalition government has continued to function without Souvanna's strong hand, but both Communist and non-Communist members are apprehensive about the effect of the Prime Minister's absence on the currently quiet political scene. The non-Communists are worried that the Pathet Lao will try to take advantage of Souvanna's absence, especially since Communist Deputy Prime Minister Phoumi Vongvichit will be serving as temporary leader of the coalition. The Pathet Lao, for their part, are anticipating rightist intrasigence to Communist policy initiatives and may fear other forms of troublemaking as well. As a result, they may well choose to proceed cautiously rather than risk disrupting a political situation that has been evolving in their favor since the formation of the new government.

Souvanna will travel first to Bangkok for a brief rest stop. He will undergo a medical examination there to determine the effects of the flight from Vientiane. If his condition is satisfactory, he will be permitted to continue to France. [REDACTED]

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Change in Population Distribution 1970 and 2000



Based on UN "Medium" population projection

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WORLD FACES FOOD SHORTAGES

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Trying to provide adequate world food supplies will become a problem of overriding priority in the years and decades immediately ahead--and a key role in any successful effort must fall to the US. Even in the most favorable circumstances, with increased devotion of scarce resources and technical expertise, the outcome will be doubtful; in the event of adverse changes in climate, the outcome can only be grave.

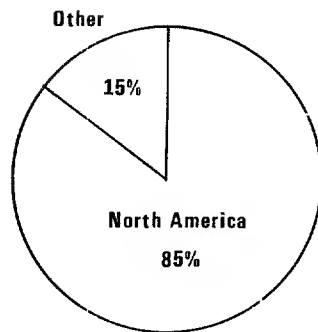
The momentum of world population growth, especially in the less developed countries, is such that even strong measures taken now to reduce fertility would not stop rapid growth for decades. Thus, most less-developed countries must cope with the needs of much larger populations or face the political and other consequences of rising death rates.

Demand for food rises inexorably with the growth of population and of affluence. Increases in supply are less certain. Man's age-old concerns about the adequacy of food supplies have resumed with particular urgency since the crop failures of 1972. The rich countries need have no fear of hunger, though the relative price of food will probably rise at times.

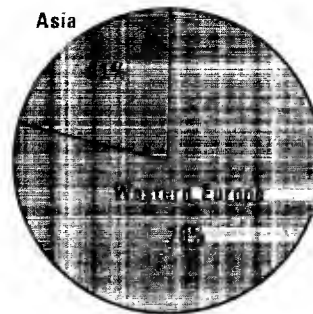
The poor, food-deficit less developed countries must produce most of the additional food they will need to support their growing populations. They cannot afford to import it, nor is it likely they can count on getting enough aid from the food-exporting countries. They face, however, serious political, economic, and cultural obstacles to raising output and are in for considerable strain, at the least, and probably for periods of famine.

Direction of Net Grain Trade 1948-52 and 1973-74 (prelim.)

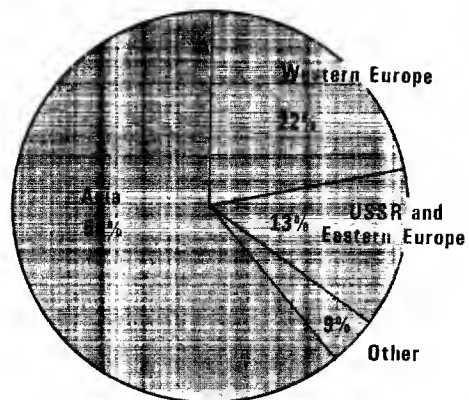
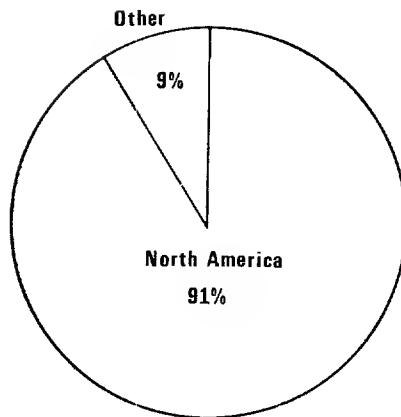
EXPORTS



IMPORTS



1948-1952



1973-1974

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The US now provides nearly three fourths of the world's net grain exports, and its role is almost certain to grow over the next several decades. The world's increasing dependence on American surpluses portends an increase in US power and influence, especially vis-a-vis the food-deficit poor countries. Indeed, in times of shortage, the US will face difficult choices about how to allocate its surplus between affluent purchasers and the hungry world.

Implications of Climate Change

The implications for the world food situation and for US interests would be considerably greater if climatologists who believe a cooling trend is under way prove to be right.

--If the trend continues for several decades, there would almost certainly be an absolute shortage of food. The high-latitude areas, including the USSR and north China, would experience shorter growing seasons and a drop in output. The monsoon-fed lands in Asia and Africa would also be adversely affected.

--US production would probably not be hurt much. As custodian of the bulk of the world's exportable grain, the US might regain the primacy in world affairs it held in the immediate post-World War II era.

--In the worst case, if climate change caused grave shortages of food despite US exports, the potential risks to the US would also rise. There would be increasingly desperate attempts on the part of powerful but hungry nations to get grain any way they could. Massive migrations, sometimes backed by force, would become a live issue and political and economic instability would be widespread.

--In the poor and powerless areas, population would have to drop to levels that could be supported. The population "problem" would have solved itself in the most unpleasant fashion.

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FOR THE RECORD

China: Recent reporting from South China suggests that the early rice crop may be somewhat better than Peking had anticipated earlier this summer. The crop was late and got off to a poor start. Timely rainfall later in the growing season, however, has improved prospects for the harvest. The current high price for rice may now tempt Peking to re-enter the international rice market. China curtailed commercial sales of rice last winter because of the poor harvest of late rice.

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